

**Economic Impact Statement**

LSA Document #22-324

**IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses****I. Estimate of Number of Small Businesses That Will Be Subject to this Rule**

As required by [IC 4-22-2.1-5\(a\)\(1\)](#), the estimate of the number of small businesses, classified by industry sector, that will be subject to the proposed rule:

Fifty-one (51) small businesses are currently subject to the existing rule.

As required by [IC 4-22-2.1-5\(a\)\(2\)](#), the estimate of the average annual reporting, record keeping, and other administrative costs that small businesses will incur to comply with the proposed rule are the following:

The proposed rule would require pipeline operators to maintain applicable records for a minimum of 7 years instead of the current 5 years because some inspections may be performed less frequently than every 5 years. It also requires that pressure tests and pressure records be maintained as long as the pipeline remains in service. [170 IAC 5-3-1\(c\)](#).

The proposed rule requires operator qualification training programs that include certain types of training, including initial and re-qualification training for certain tasks. This revision makes certain that employees trained by another employer or experienced employees still receive a minimum amount of training to perform their work. [170 IAC 5-3-2\(t\)](#); [170 IAC 5-3-2\(x\)](#).

The proposed rule requires an operator to respond if the Division notifies the operator of an area of concern. [170 IAC 5-3-4.1\(c\)](#).

There is minimal economic impact for compliance by small businesses. The rule revision will not significantly change the manner in which small businesses currently comply with minimum pipeline safety rules overall. Gas utilities, including those considered small businesses, must already follow existing federal and state rules. The costs to larger businesses are included in the cost-benefit analysis for this rule. Gas utilities that are small businesses should see minimal changes as most of the small businesses are master meter operators, to which the pipeline safety standards have limited application. A master meter operator is typically a housing development or apartment complex with multiple buildings at a site. The master meter operator operates a short run of underground pipeline to distribute natural gas from the gas utility to its various buildings. The cost of the additional records storage requirement should be nominal, and master meter operators are already subject to and perform the training requirement. The additional cost to respond to a rare notification of an area of concern should also be minimal.

**II. Justification Statement**

As required by [IC 4-22-2.1-5\(a\)\(4\)](#) and [IC 4-22-2-28\(i\)\(2\)](#), the following statement justifies any requirement or cost that is imposed on small businesses by the rule; and not expressly required by the statute authorizing the agency to adopt the rule; or any other state or federal law:

Safety is of the utmost concern when regulating a natural gas pipeline. When a pipeline ruptures, it can result in fires and explosions of catastrophic costs for surrounding homes and businesses. In addition to any economic loss from a rupture, a gas leak can kill those in the area, either from displacing oxygen needed to breathe or creating a fire or explosion.

The proposed rule revision updates the current rule to establish the minimum safety standards that are not less stringent than federal law, as required by [IC 8-1-22.5-4\(2\)](#) and necessary to maintain federal funding. The Pipeline Safety Division (PSD or Division) is funded through a federal grant, in accordance with 49 U.S.C. 198, et seq. To be eligible for the grant, the Indiana Utility Regulatory Commission (IURC or Commission) must adopt certain federal regulations regarding pipeline safety.

The predominate purpose of this proposed rule is to address the safety of natural gas pipeline systems in Indiana, which affects the public safety. A significant modification in the proposed rule clarifies that training of new employees is required, and small pipeline operators already do, and are required to, train their employees. The rule also requires a slightly longer period for which an operator must maintain records, and that an operator responds to an area of concern, if issued. Costs to comply should be minimal.

The IURC and its PSD used their own expertise and did not need to rely upon data, studies, or analyses to determine whether there is an imposition of new requirements or costs on small businesses.

**III. Regulatory Flexibility Analysis**

As required by [IC 4-22-2.1-5\(a\)\(5\)](#) and [IC 4-22-2-28\(i\)\(4\)](#), this regulatory flexibility analysis considers whether there are alternative methods of achieving the purpose of the rule that are less costly or intrusive or would otherwise minimize the economic impact of the rule on small businesses. The analysis under this subdivision considers the following methods of minimizing the economic impact of the proposed rule on small businesses.

There are no alternatives to the rulemaking that would permit the PSD to keep its federal funding or meet its

statutory obligation under [IC 8-1-22.5-4\(2\)](#). In addition, other alternatives are insufficient to achieve the necessary degree of pipeline safety for the reasons listed below:

- (A) The establishment of less stringent compliance or reporting requirements for small businesses.  
Less stringent compliance or reporting would result in less safety for both the employees of the regulated entities and the general public. All regulated entities should follow the same safety standards regardless of the businesses' size.
- (B) The establishment of less stringent schedules or deadlines for compliance or reporting requirements for small businesses.  
Less stringent schedules or deadlines for compliance or reporting would result in less safety for both the employees of the regulated entities and the general public. All regulated entities should follow the same safety standards and timelines regardless of the businesses' size. In addition, even if the state did not set these requirements, the entities would already have to follow the normal schedules under federal law.
- (C) The consolidation or simplification of compliance or reporting requirements for small businesses.  
The PSD believes the compliance and reporting requirements are as simple as they can be without compromising safety. It is the same process followed by federal enforcers.
- (D) The establishment of performance standards for small businesses instead of design or operational standards imposed on other regulated entities by the rule.  
Performance standards would not be sufficient. Regulated entities need clear guidelines on what to survey and what to report to meet the level of safety the Commission and the PSD require.
- (E) The exemption of small businesses from part or all of the requirements or costs imposed by the rule.  
There are no significant costs associated with this rule. Exempting small businesses would result in a loss of federal funding, leading to less regulation and safety oversight.

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